

UNDC

United Nations Development Corporation

Investment Guidelines

Dated: September 15, 2022

Article I
Investment Guidelines

1.0 Introduction

The purpose of these Investment Guidelines (the “Guidelines”) is to establish the parameters, responsibilities and controls for the investment of the Funds (as defined in Section 3.0 below) of the United Nations Development Corporation (the “Corporation”). The Corporation seeks to invest the Funds in a manner that will provide the highest investment return consistent with the maximum safety of principal, while meeting cash flow needs of the Corporation.

2.0 Governing Authority

The investment program shall conform to all applicable state and local statutes governing the investment of public funds, including Section 2925 of the New York State Public Authorities Law and Section 201 of NYCRR, “Part 201, Accounting, Reporting, and Supervision Requirements for Public Authorities”. Investment of Funds subject to trust indentures or other governing legal documents must comply with requirements in such documents regarding permissible investments. The requirements applicable at present to the investment of Funds are referred to in Appendix A.

3.0 Scope

These Guidelines apply to all financial assets of the Corporation for which the Corporation retains direct or indirect daily control. Funds for which the Corporation has retained outside fund manager(s) shall also be governed by the Guidelines or, in the case of bond funds, related governing bond documents. These funds are accounted for in the Corporation’s Comprehensive Annual Financial Report and include:

Funds

- 3.1 Funds held by The Bank of New York Mellon, as Trustee under an Indenture of Trust
- 3.2 Funds held by the Corporation in its revenue depository accounts and checking accounts
- 3.3 Funds held by the Corporation in its General Fund
- 3.4 Any new fund created by UNDC unless specifically exempted

4.0 Objectives

The objectives of the Corporation’s investment activities, in order of importance, shall be:

Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodic cash flow analyses will be completed in order to ensure that the portfolio is positioned to provide sufficient liquidity.

Return on Investments

The investment portfolio shall be designed with the objective of attaining a reasonable market rate of return throughout budgetary and economic cycles, taking into account the nature of funds being invested and the previously stated priorities of safety and liquidity.

5.0 Delegation of Authority

Governing Body

The Finance Committee (the “Committee”) will retain ultimate fiduciary responsibility for the portfolios. The Committee will receive quarterly reports, designate investment officers and/or registered investment advisors and annually review the Guidelines.

Investment Officers

Authority to manage the investment program is granted to the Corporation’s President, Executive Vice President, Senior Vice President, or Controller (“Investment Officers”).

Responsibility for the operation of the investment program is hereby delegated to the Investment Officers who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with the Guidelines. Officers will prepare investment reports and other special reports as may be deemed necessary.

All participants in the investment process shall act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of the Guidelines and supporting procedures.

Investment Advisers

The Corporation may engage the services of external Investment Advisers to assist in the management of the Corporation’s investment portfolio. Such Investment Advisers may be granted discretion to purchase and sell investment securities in accordance with these Guidelines. Investment Advisers must be registered under the Investment Advisers Act of 1940.

6.0 Standards of Prudence

The standard of prudence to be used by Investment Officers shall be the “Prudent Person” standard applied in managing the overall investment program. Investment Officers acting in accordance with written procedures and these Guidelines and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectation are reported to the Corporation in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of the Guidelines. The “Prudent Person” rule states the following:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

While the standard of prudence to be used by Investment Officers who are employees of the Corporation is the Prudent Person standard, any person or firm hired or retained to invest,

monitor, or advise concerning the Funds shall be held to the higher standard of “Prudent Expert”. The Prudent Expert standard shall mean that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the Funds, so as to minimize the risk, considering the probable income as well as the probable safety of capital.

7.0 Ethics and Conflicts of Interest

Employees and Investment Advisers shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Members of the Finance Committee and employees involved in the investment process shall disclose to the Corporation any material financial interests in financial institutions that conduct business with the Corporation, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the Corporation’s investment program.

8.0 Internal Controls and Investment Procedures

The Corporation shall establish a written system of internal controls and operational procedures designed to prevent losses of funds due to fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees. No person may engage in an investment transaction except as authorized under the terms of these Investment Guidelines. These procedures are intended to reduce to a low risk that material losses may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Independent auditors, as a normal part of the Corporation’s annual financial audit, shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

9.0 Authorized Financial Dealers and Institutions

In evaluating the qualifications of and selecting Dealers, Custodians and Investment Advisers to transact business with the Corporation, the Corporation shall consider the ability of a person or firm to provide consistent, high-quality service, the size and quality of its staff, its prior experience in providing the specific types of services sought, its capitalization, outside ratings and other factors that in the judgment of the Corporation make a person or firm qualified. Eligible firms may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). The Corporation will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained for approved or security broker/dealers selected by credit worthiness that are authorized to provide investment services in the State of New York. The Corporation’s President or Executive Vice President may select Dealers, Custodians and Investment Advisers and shall report any such selection to the Board.

Any Dealer wishing to become qualified for investment transactions involving Funds (an “Approved Dealer”) must supply the following as deemed appropriate by the Corporation:

- (1) Audited financial statements.
- (2) Proof of National Association of Securities Dealers (NASD) certification.
- (3) Proof of state registration.
- (4) Completed questionnaire, in the form adopted by the Corporation.

If the Corporation uses the services of an Investment Adviser, the Investment Adviser shall maintain an appropriate list of Approved Dealers. Upon request, the Investment Adviser shall provide the Corporation with a complete list of Approved Dealers and a description of the criteria used for selecting them.

10.0 Safekeeping and Custody

To ensure that securities are deposited in an eligible financial institution prior to the release of funds, all trades of marketable securities will be executed by delivery vs. payment. Further, all securities will be held by an independent third-party custodian, in the name of the Corporation, and evidenced by safekeeping receipts in the Corporation’s name. The custodian shall provide daily confirmation of held securities as well as a monthly transactions and holdings report.

11.0 Contracts with Custodians

The Corporation shall require any Bank or Dealer acting as Custodian to enter into a written contract with the Corporation that provides at a minimum:

- 11.1 That payment for any investment by the Custodian may be made only upon delivery of the physical obligation and any required collateral, or in the case of obligations or collateral in book-entry form, upon crediting of the obligation or collateral to the Custodian’s account at the Federal Reserve Bank.
- 11.2 That the Custodian may act on oral instructions from only (1) the Corporation’s President, Executive Vice President, Senior Vice President, Controller, Deputy Controller, or Senior Accountant, such instructions to be confirmed in writing by an authorized officer of the Corporation; or (2) Investment Advisers, to the extent authorized by the Corporation to provide such instructions on the Corporation’s behalf, such instructions to be confirmed in writing by an authorized representative of the Investment Adviser.
- 11.3 That the Custodian must provide to the Corporation written transaction statements reflecting each transaction undertaken on behalf of the Corporation within a reasonable time after completion of the transaction.
- 11.4 That the Custodian must provide to the Corporation statements of assets held on behalf of the Corporation as reasonably requested by the Corporation from time to time, but at least monthly.
- 11.5 That the Custodian may not deliver obligations and collateral without prior authorization from the Corporation or an Investment Adviser, provided that this limitation does not prohibit the Custodian from delivering obligations and collateral upon their maturities and provided further that obligations that are sold may only be

delivered upon receipt of funds.

11.6 That the Custodian will be liable for all losses to the Corporation resulting from the Custodian's willful misconduct.

12.0 Repurchase Agreements. The Corporation, or its Trustee, Custodian or other agent, shall require any Obligor with respect to each Repurchase Agreement to enter into a written contract with the Corporation or its Trustee, Custodian or other agent, as the case may be, that includes at a minimum the following provisions:

12.1 A description of the obligations being purchased by the Corporation and the name of the institution which will hold such obligations upon payment of the purchase price (if the obligations are not to be held by the Corporation).

12.2 A statement of the time and price at which the obligations will be repurchased.

12.3 A grant by the Obligor to the Corporation of title to or a perfected security interest in the underlying obligations and a requirement that the Obligor comply with the requirements set forth in Section 11 above.

The Corporation shall enter into a master repurchase agreement with each Obligor with which the Corporation or its Trustee, Custodian or other agent proposes to enter into a Repurchase Agreement or Repurchase Agreements. Any master repurchase agreement must outline the basic rights of the buyer and seller with respect to future Repurchase Agreements and must require, among other things, a written contract with any Custodian involved in Repurchase Agreement transactions, which contract outlines the responsibilities of the Custodian and the parties to the Repurchase Agreement or Repurchase Agreements governed by such master repurchase agreement, and must provide, among other things, that the Custodian may not pay for any securities subject to the master repurchase agreement until the Custodian holds such securities; the Custodian holds such securities exclusively for the benefit of the Corporation; and any claims of the Custodian to such securities are subordinate to the claims of the Corporation.

13.0 Collateral Requirements

Funds subject to trust indentures or other governing legal documents must comply with requirements in such documents regarding collateral.

Except to the extent the requirements referred to in above impose more restrictive standards, all investments of Funds are required to be secured as follows:

13.0.1 Investments in Government, State and Corporate Obligations permitted under Article II below need not be collateralized.

13.0.2 Repurchase Agreements must be secured by physical delivery to the Corporation, or its Trustee, Custodian or other agent (which Trustee, Custodian or other agent is not the Obligor or an agent of the Obligor) of the underlying obligations and additional collateral as required below, or in the case of underlying obligations and any such additional collateral in book-entry form the Corporation shall take such action as may be necessary to obtain title to or a perfected security interest in such

obligations and such additional collateral. The Corporation shall review the underlying obligations no less often than weekly to determine if their market value at least equals the agreed repurchase price to be paid to the Corporation, and if not, the Obligor must be required to deliver or otherwise grant title to or a perfected security interest in additional Government Obligations as collateral so that the market value of the underlying obligations, together with such additional collateral, will at least equal such repurchase price.

Article II

Permissible Investments

1.0 Risk and Diversification

Assets held shall be diversified to control risks resulting from over-concentration of assets in a specific maturity, issuer, instruments, dealer, bank, sector, company, or fund.

2.0 Authorized Investments and Trading of Securities

Investment of Funds subject to trust indentures or other governing legal documents must comply with requirements in such documents regarding permissible investments as set forth in these Guidelines.

3.0 Permitted Investments

All Funds may be invested only in the following obligations.

3.1 obligations to which the faith and credit of the United States of America are pledged (including receipts evidencing ownership of future payments of interest on and principal of obligations of the United States of America);

3.2 obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

3.3 direct and general obligations of any state within the United States or of any political subdivision of the State, provided that at the time of purchase such obligations are rated by Moody's in either of the two highest rating categories (without regard to gradations within a category);

3.4 bonds, debentures, participation certificates or notes issued by any of the following: Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export-Import Bank of the United States, Student Loan Marketing Association, Farmers Home Administration, Farm Credit Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation or Government National Mortgage Association;

3.5 Public Housing Bonds, Temporary Notes or Preliminary Loan Notes fully secured by contracts with the United States;

3.6 Certificates of deposit, whether negotiable or non-negotiable, issued by any bank, trust company or national banking association (including the Trustee), provided that such certificates of deposit are continuously secured by direct obligations of or obligations

guaranteed by the United States of America with a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and lodged with the Trustee (or any correspondent bank or trust company designated by the Trustee), as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured furnishes the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount at least equal to the principal amount of each such certificate of deposit and the Trustee will be entitled to rely on each such undertaking;

3.7 any Repurchase Agreement with any Bank organized under the laws of any state of the United States or any national banking association or any government securities Dealer that is listed as reporting to the market statistics division of the Federal Reserve Bank of New York, other than the Trustee, and having a capital stock and surplus of no less than \$500,000,000, provided that:

- a) such Agreements are limited to terms of no more than fifteen (15) days;
- b) no more than the lesser of 10% of all Funds or \$5,000,000 may be invested in such Agreements, with the amount of all Funds calculated as of the time of investment; and
- c) such Agreements are secured by any one or more of the securities described in 3.1 through 3.4 of this Section 3.0;

3.8 obligations of any corporation organized under the laws of any state in the United States maturing within two hundred seventy (270) days, rated by at least two of Moody's, S&P and Fitch as P-1, A-1+ and F-1, respectively;

3.9 bankers' acceptances maturing within ninety (90) days, which are eligible for purchase in the open market by federal reserve banks and which have been accepted by a bank or trust company organized under the laws of the United States or of any state thereof and which is a member of the federal reserve system, rated by at least two of Moody's, S&P and Fitch as P-1, A-1+ and F-1, respectively;

3.10 no-load money market mutual funds registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, provided that such funds are limited to investments in obligations issued or guaranteed by the United States of America or in obligations of agencies or instrumentalities of the United States of America where the payment of principal and interest is guaranteed by the United States of America (including contracts for the sale and repurchase of any such obligations); and

3.11 demand deposits at (a) Banks in the State with an "AA" long-term debt or deposit rating from a national rating agency and having equity capital of no less than \$300,000,000; or (b) Banks in the State with an "A" long-term debt or deposit rating from a national rating agency and having equity capital of no less than \$900,000,000, provided that in each case the amount of any such deposit (i) does not exceed the amount which is fully insured by the Federal Deposit Insurance Corporation or similar federal insurance, or

(ii) is continuously secured by direct obligations of or obligations guaranteed by the United States of America with a market value (inclusive of accrued interest) at all times at least equal to the amount of such deposit and lodged with the Trustee (or correspondent bank or trust company designated by the Trustee), as custodian, by the bank at which such deposit is made.

4.0 Portfolio Diversification

It is the policy of the Corporation to diversify its investments by financial institution, by investment instrument, by issuer, and by maturity, so as to mitigate the risk of loss resulting from the over-concentration of assets in a specific financial institution, class of securities, issuer, or maturity. The maximum percentage of each fund within the portfolio, based on book value at the time of purchase, permitted in each eligible security is as follows:

Investment Type	Sector Limit	Issuer Limit	Credit Limit	Maturity Limit
U.S. Government Guaranteed	100%	100%	N/A	5.5 Years
Certain Federal Agencies	75% ¹	40%	N/A	5.5 Years
Municipal Obligations of New York City and New York State	20% ²	10%	Rated in either of the two highest rating categories (without regard to gradations within a category) by Moody's Investors Service	5.5 Years
Municipal Obligations of any other State other than New York State	20% ²	10%	Rated in either of the two highest rating categories (without regard to gradations within a category) by Moody's Investors Service	5.5 Years
Commercial Paper	25%	5%	Rated (unless rating confirmation is received) by at least two of Moody's, S&P and Fitch as P-1, A-1+ and F-1	270 Days
Certificate of Deposit	25%	5%	A or equivalent by Moody's Investors Service and another NRSRO	5.5 Years
Banker's Acceptances	25%	5%	Rated (unless rating confirmation is received) by at least two of Moody's, S&P and Fitch as P-1, A-1+ and F-1	90 Days
Money Market Mutual Funds	50%	50%	N/A	N/A

1. Combined agency and instrumentality sector limit.
2. Combined municipal sector limit.

5.0 Credit Downgrades

In the event of a downgrade of a security below the minimum credit standards, the Investment Officer shall promptly notify the Committee and recommend a course of action. If the Corporation has retained a professional Investment Adviser, in the event of a downgrade below the minimum credit standards, the Investment Adviser shall promptly notify the Investment Officer and recommend a course of action.

6.0 Environmental, Social and Governance Investment Principles

The Corporation's investment objectives are set forth in Article I, Section 4.0 of these Guidelines. The Corporation's assets must be managed in accordance with these objectives. Within these objectives, the Corporation, as well as the Office of the New York State Comptroller, supports the practice of incorporating environmental, social, and governance ("ESG") factors with other conventional financial analytical tools when evaluating investment opportunities. These factors support the Corporation's mission and may also help identify potential opportunities and risks which conventional tools miss. The Corporation encourages its Investment Advisers to include ESG factors in their analytical processes. However, ESG considerations are only one factor in analyses and should not be used as exclusionary screens to eliminate specific entities or sectors from consideration. Relevant ESG factors will vary by industry and should be applied appropriately to help assess both risk and return.

Article III

Performance and Reporting Requirements

1.0 Performance

On a quarterly basis, the Corporation shall compare the portfolio's results with selected publicly available performance indices, in terms of time-weighted total return and average duration for the period under review. The appropriate indices will have a duration and asset mix that approximates the portfolios and will be utilized as a benchmark to be compared to the portfolio's total rate of return.

The Finance Committee will meet at least annually to review compliance with established guidelines, performance results, and any changes to the overall benchmarks.

2.0 Annual Independent Audit

In conjunction with the annual audit of the Corporation's financial statements, the Corporation shall have its outside auditors conduct an annual independent audit of investments to include a review of investments for compliance with these guidelines, applicable laws, regulations, and the State Comptroller's investment guideline requirements set forth in Articles I and II. The annual investment audit shall determine whether: investment assets were adequately safeguarded; adequate accounts and records were maintained which accurately reflect all transactions and report on the disposition of the Corporation's investment assets; and a system of adequate internal controls was maintained. The results of the annual investment audit will be available to the Corporation's Board of Directors at the time the annual review and approval of Investment Guidelines is conducted by the Corporation.

3.0 Quarterly Reporting

Within forty-five (45) days after the conclusion of each quarter of the Corporation's fiscal year, management shall prepare and deliver to the Corporation's Board of Directors a quarterly report on the Corporation's investments, including a description of any new investments, the inventory of existing investments, and a report on the selection of any new Custodians, Dealers, or Investment Advisers.

4.0 Annual Reporting

Within ninety (90) days after the close of each fiscal year, management shall submit an annual investment report to the Corporation's Board of Directors for their review and approval. Such report will include these guidelines and any amendments to these guidelines since the last annual investment report, an explanation of these guidelines and any amendments, the results of the annual independent audit of investments, the annual investment income record of the Corporation, a list of the total fees, commissions or other compensation, by payee, paid to each Custodian, Dealer and Investment Adviser rendering investment associated services to the Corporation since the last annual investment report, and an annual consolidation of any other information included in the quarterly investment reports.

The annual investment report, after being approved by the Corporation's Board of Directors, within ninety (90) days after the close of the Corporation's fiscal year, will be submitted to the State Division of the Budget with copies as required by applicable law or regulation, including to the Office of Budget and Policy Analysis of the Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee.

Copies of the annual investment report will be available to the public upon reasonable request at the Corporation's offices.

Article IV

Miscellaneous

1.0 Amendments

Any modifications or amendments to these guidelines may be made by resolution of the Corporation's Board of Directors; provided, however, that no such modification or amendment to these guidelines may abrogate any rights and duties under then existing contracts, and further provided that the Corporation's President, upon written notice to the Corporation's Directors, may from time to time modify or amend non-material portions of these guidelines.

2.0 No Recourse under these Guidelines

No provision in these guidelines may serve as the basis of any claim against the Corporation or any Director, officer or employee of the Corporation in his or her individual or official capacity.

3.0 Effect upon Existing Contract

These guidelines may not abrogate the rights and duties of the Corporation under any contracts executed prior to the effective date of these guidelines.

4.0 Effect of Failure to Comply

Failure to comply with these guidelines will not invalidate any investment or affect the validity of the authorization of any officer of the Corporation or his or her designee to make such investments.

Article V

Glossary of Terms

Definitions

For purposes of these guidelines, the terms listed below shall have the following meanings:

“Bank” means any domestic bank or trust company, savings bank, savings and loan association, credit union, national banking association, federal savings and loan association or federal credit union.

“Corporation” means United Nations Development Corporation.

“Custodian” means a Bank or Dealer designated by the Corporation to hold investments or collateral for investments of the Corporation, including a Trustee; provided however, that only a Bank may be a Custodian for a Repurchase Agreement.

“Dealer” means any investment banker, broker, agent or dealer which is engaged in the purchase and sale of securities.

“Funds” has the meaning given in Article I, Section 3.0.

“Government Obligations” means the obligations listed in Article II, Section 2.1.

“Investment Adviser” means any person, firm or entity engaged in the business of managing investments or providing investment advice, provided such person, firm or entity is registered with the State of New York as an Investment Adviser, or is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 and notice of such registration as a federally covered Investment Adviser is filed with the State of New York.

“Moody’s” means Moody’s Investors Service.

“Obligor” means the party with which or with whom the Corporation enters into a Repurchase Agreement.

“Repurchase Agreement” means an agreement by the Corporation to purchase obligations, together with a commitment on the part of the seller to repurchase the obligations at an agreed price at an agreed future date.

“S&P” means Standard & Poor's Financial Services.

“State” means the State of New York.

“State Obligations” means obligations of the State and obligations the payment of the principal of and interest on which is unconditionally guaranteed by the State.

“Trustee” means a Bank designated pursuant to a bond resolution of the Corporation or trust indenture or other governing legal instrument to which the Corporation is a party, which is the representative of bondholders or other holders of the Corporation’s obligations, to enforce their contract with the Corporation.

APPENDIX A

Provisions of Trust Indentures Relating to Permissible Investments

Indenture of Trust dated as of December 1, 1992, as amended and supplemented, between the Corporation and The Bank of New York Mellon, as trustee:

- a. Section 1205 sets forth general provisions relating to investment of funds and identifies certain permissible investments and collateral requirements.
- b. Definition of “Investment Obligation” (Section 101) identifies permissible investments.